

Idaho Child Care Program

Follow-up Review
June 2004

Office of Performance Evaluations
Idaho State Legislature



Report 04-04F

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June 4, 2004

Members
Joint Legislative Oversight Committee
Idaho State Legislature

At your direction, we have completed the follow-up review of the Idaho Child Care Program at the Department of Health and Welfare.

We assessed the department's progress on the implementation of seven recommendations from our November 2002 performance evaluation. We found that the department has fully implemented three of the recommendations, and has partially addressed the other four.

We appreciate the department's cooperation during this review. AJ Burns (team lead) and Chris Shoop of the Office of Performance Evaluations completed this follow-up review.

Sincerely,

A handwritten signature in black ink that reads "Rakesh Mohan".

Rakesh Mohan

Idaho Child Care Program

Follow-up Review June 2004

Summary

In November 2002, the Office of Performance Evaluations released *A Review of the Idaho Child Care Program*. The report identified seven recommendations to improve the quality of child care provided through the program. In this follow-up review we found the Department of Health and Welfare has implemented three of the report's seven recommendations, and the remaining four are in-process or have been partially implemented. Since the 2002 report, the department has established a professional development program to help child care providers improve the quality of their services and is in the process of starting an incentive program to reward continued professional development. The department has also improved the information it provides to the advisory panel, providers, and parents. The department, however, has expressed concerns about implementing one recommendation that makes program requirements more stringent for providers. We recommend the department improve its budgeting process for the program.

Background

We released a report on the Idaho Child Care Program (ICCP) of the Idaho Department of Health and Welfare in November 2002. This report examined ways the department might improve the quality of child care provided through the program.

The program assists low-income working parents by providing financial assistance for child care services. Program costs for fiscal year 2005 are projected at \$37.8 million, of which \$3.4 million will be spent on improving the quality of child care offered through the program. As shown in Exhibit 1, most of the program funds come from the US Department of Health and Human Services; the state funds total 11 percent.

Parents participating in the program may choose from several types of providers as shown in Exhibit 2. The majority of the providers care for children in the

provider's family home and care for six or fewer children. In 2003, the program served approximately 6,000 families and 9,000 children each month.¹

¹ Idaho Department of Health and Welfare, *Self-Reliance Forecast 2003*.

Exhibit 1: Idaho Child Care Program Expenditures by Source, Fiscal Years 2002 and 2005

	<u>FY2002^a</u>	<u>Estimated FY2005</u>
CCDF funds ^b	\$20,410,776	\$24,026,700
State funds ^c	4,846,345	4,174,000
TANF transfer ^d	5,847,379	9,134,700
Direct TANF	1,161,500	500,000
TOTAL	\$32,266,000	\$37,835,400

^a Most current actual expenditures for FY2002 funds. Totals are different than those reported in the Office of Performance Evaluations report 02-03, *A Review of the Idaho Child Care Program* (November 2002).

^b Federal Child Care and Development Funds (CCDF).

^c Includes maintenance of effort and state matching funds.

^d Federal Temporary Assistance to Needy Families (TANF).

Source: Idaho Department of Health and Welfare data.

Exhibit 2: Idaho Child Care Program Providers by Type, April 2004

<u>Type of Care</u>	<u>Definition</u>	<u>Number of Providers</u>	<u>Percent of Total</u>
Day care center	Providers serving 13 or more children	814	27%
Group home	Providers serving 7 to 12 children	535	18
Family home setting ^a	Providers serving 6 or fewer children	1,599	54
In-home	Care given by a provider in the child's home when special circumstances are present	34	1
	TOTAL	2,982	100%

^a Includes care by a relative.

Source: Idaho Code § 39-1102, the Department of Health and Welfare's Child Care and Development Plan for 2004–2005, and the Office of Performance Evaluations analysis of Department of Health and Welfare data.

Quality of Child Care

The 2002 report identified elements of quality child care based on the standards of several nationally recognized child care associations and a 1998 report by the US General Accounting Office.² Some of the most commonly agreed upon standards used to gauge quality of child care include:

- Caregiver education/training in child development
- Child-to-staff ratios
- Health, nutrition, and safety requirements
- Organization, size, and appropriateness of indoor and outdoor play space

As shown in Exhibit 3, our report found Idaho Child Care Program requirements primarily addressed quality components that are health and safety related. The current requirements still do not address caregiver education and training (other than CPR and first aid certification), child-to-staff ratios, or appropriateness of the physical environment.

² Idaho Office of Performance Evaluations, Report 02-03, *A Review of the Idaho Child Care Program* (November 2002), 7–8. Child care associations include the National Association for the Education of Young Children, the National Association of Family Child Care, and the National Network for Child Care.

Exhibit 3: Requirements for Idaho Child Care Program Providers

1. Child care provider licensing (if required)
2. Health and safety requirements
 - a. Appropriate age of provider
 - b. Sanitary food preparation
 - c. Proper food storage
 - d. Inaccessible hazardous substances
 - e. Emergency communication system
 - f. Appropriate smoke detectors, fire extinguishers, and exits
 - g. Appropriate hand washing
 - h. CPR/first aid certification
 - i. Provider health certification
 - j. Report suspected child abuse
3. Child care provider agreement
4. No conviction or withheld judgment of certain crimes
5. Not under the purview of the Child Protection Act or Juvenile Justice Reform Act
6. Parent or caretaker access to child care premises

Source: IDAHO ADMIN. CODE, 2004, IDAPA 16.06.12.250–257.

Use of Program Funds

Within the Idaho Child Care Program, the department is allowed to use up to five percent of the funding for administration, and may distribute the remaining funds between two general categories: childcare payments and activities to promote quality care. Funds may be moved between these categories as long as the amount spent on quality remains at four percent or greater.³ The 2002 report noted that the program typically exceeded that amount and applied between 6 and 12 percent of funds to activities intended to improve child care quality.⁴ Examples of past quality improvement programs include funding health districts to provide training and technical assistance to child care providers, and funding safety inspections.

Program Eligibility

The 2002 report found that Idaho restricted participation in the program to lower income levels than other states surveyed. Current department administrative rule still bases eligibility on 150 percent of the 1998 federal poverty guideline, rather than the current federal poverty level. Under the 1998 poverty guidelines, a single parent with two children making no more than \$20,472 a year would qualify for the program. Using the current 2004 guidelines, the same family would qualify if the parent made no more than \$23,505 per year.

The Idaho Child Care Advisory Panel

The department created the Idaho Child Care Program Advisory Panel in 2001 to guide program decision making. The advisory panel provides guidance to the department in administering the program, including making recommendations for the use of quality improvement funds. The department provides the panel with progress reports several times a year. Our 2002 report found the department provided the Idaho Child Care Program Advisory Panel little program financial information, limiting their ability to make informed decisions about the program.

³ Certain program funds are earmarked by the US Department of Health and Human Services for use in specific types of quality improvement activities, such as infant/toddler care or school age care. These earmarked funds may not be included as quality activity expenditures when calculating the 4 percent minimum requirement.

⁴ Office of Performance Evaluations, Report 02-03, *A Review of the Idaho Child Care Program* (November 2002), 16, 35. The report examined the percentage of program funds spent on quality child care for fiscal years 1999–2002.

Implementation Status of Recommendations

The 2002 report contained seven recommendations to improve the quality of child care provided through the Idaho Child Care Program. These recommendations can be grouped into three general areas:

- Strengthening requirements for provider participation
- Restructuring the use of quality funds within the program
- Providing better information to the advisory panel, providers, and parents

In March 2004, the department provided us a report on its implementation efforts (Appendix A). The following is our assessment of the implementation status for each recommendation.

Strengthening Requirements for Provider Participation

Recommendation: The Department of Health and Welfare standardize and strengthen provider participation requirements for the Idaho Child Care Program to include accepted quality care components.

Status: Partially implemented.

The department has indicated they will not fully implement the recommendation, citing concerns that increasing requirements for *just* Idaho Child Care Program providers, rather than all providers in the state, will cause providers to leave the program, resulting in fewer available providers. According to the department, providers may incur additional costs if more stringent requirements are instituted, such as lower child-to-staff ratios. The department has not estimated the costs, or the impact of strengthening program requirements.

Instead, the department is developing a voluntary system to promote professional development for providers. It has contracted with the University of Idaho to develop and implement the State Training and Registry System (IdahoSTARS), which tracks provider education and training. The department expects the professional development component of the system to be implemented by June 2004.

IdahoSTARS provides incentives for providers to increase program quality through enhanced training. However, the system does not fully meet the recommendation because it addresses only program requirements related to professional development, and does not address other quality related areas such as child-to-staff ratios or physical space requirements. Further, participation is voluntary so improvements are limited to only those providers who seek to increase their education and training.

Restructuring the Use of Quality Funds Within the Program

Recommendations: There were three recommendations regarding the distribution of funds used for quality within the Idaho Child Care Program:

- Create a progressive financial incentive system that will increasingly reward Idaho Child Care Program providers who implement quality child care components.
- Amend department administrative rules to specify program eligibility rates based on the current federal poverty level.
- Evaluate the level of funding to ensure quality improvement requirements are addressed while maximizing the amount that can be used for child care services.

Status: Two in-process and one partially implemented.

The department reports that it is in the process of creating financial incentives to improve quality by offering cash bonuses for providers as they voluntarily complete various levels of professional development training. This incentive system is included as part of the IdahoSTARS professional development contract with the University of Idaho. The department has budgeted about \$700,000 for these incentive payments, and should begin distribution in June 2004. Because the department is currently taking these steps, we have assessed the recommendation as in-process. However, the incentive program is limited to professional development and does not reward providers for instituting other quality components, such as lower child-to-staff ratios. Once this incentive system is in place, it will only partly meet the recommendation.

The department also reports it is in the process of addressing the second recommendation to base eligibility requirements on the *current* federal poverty rate, rather than the 1998 rate specified in administrative rule. The change in eligibility guidelines would allow more families to participate in the program. If approved by the legislature, department staff anticipate the rules would go into effect in July 2005. Although the department does not have an estimate of the cost of basing eligibility on the *current* (2004) federal poverty guidelines, an earlier analysis estimated it would cost an additional \$600,000 to base eligibility on the 2001 guidelines. The department has started, but not completed the rulemaking process. Consequently, this recommendation is assessed as in-process.

Our review of the department's efforts to implement the third recommendation indicates the need for improvements in the program budgeting process. According to the department, program budgets are based on the amount spent in the prior year, not the total funds available. As a result, program managers do not know how much money is available to them, and rely primarily on the prior

year's expenditures for decision-making purposes. This lack of complete information limits the ability of the program managers to maximize the use of available funds and properly monitor the program. For example, staff were unaware that projected expenditures for fiscal year 2005 would not meet the four percent minimum federal requirement for spending on quality child care activities. We strongly recommend the department develop budgets based on all funds available. Because department staff have demonstrated efforts to implement the recommendation by more closely tracking unspent funds, we have assessed this recommendation as partially implemented.

Providing Better Information to the Advisory Panel, Providers, and Parents

Recommendations: We made three recommendations to the department for improving the quality of information available to policymakers, providers, and parents.

- Regularly report all expenditures and program information for the Idaho Child Care Program to the advisory panel.
- Include information about the US Department of Agriculture Child and Adult Care Food Program in the information disseminated to child care providers.
- Improve its current use of the Idaho Child Care Program website by adding resources and pertinent literature.

Status: All three implemented.

- The department now provides program expenditures and other budget information to the Idaho Child Care Program Advisory Panel. We contacted several advisory panel members and were told the information provided was helpful in understanding the program and making decisions.
- The department requires the University of Idaho to provide information on the US Department of Agriculture Child and Adult Care Food Program in the orientation materials given to all child care providers.
- The University of Idaho's IdahoSTARS program, funded through the Idaho Child Care Program, provides an improved website related to child care that includes resources for parents and providers, a training registry, a child care resource guide for providers, and on-line training opportunities. This website can be accessed at <http://idahostars.org>.

Conclusion

The purpose of the 2002 report was to recommend ways to improve the quality of care provided to children participating in the Idaho Child Care Program. The department is taking steps to help child care providers improve the quality of their care, and has fully implemented three of the seven recommendations. Because we identified needed improvements in the program budget process, we recommend the Joint Legislative Oversight Committee consider additional follow-up in one year.

Appendix A

Department of Health and Welfare Report of Implementation Efforts



IDAHO DEPARTMENT OF
HEALTH & WELFARE

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February 27, 2004

Rakesh Mohan
Director Office of Performance Evaluation
Idaho State Legislature
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Dear Director Mohan:

Thank you for the opportunity to update the Department's progress on implementing the Joint Legislative Oversight Committee's recommendations for the Idaho Child Care Program. I will be pleased to answer any questions you or members of the committee have on this progress report during the committee's March 2nd meeting.

Here is where we stand with each of the seven recommendations:

First Recommendation: *"We recommend the Department of Health and Welfare standardize and strengthen provider participation requirements for the Idaho Child Care Program to include accepted quality care components."*

Second recommendation: *"We recommend the Department of Health and Welfare create a progressive financial incentive system that will increasingly reward Idaho Child Care Program providers that implement quality child care components."*

Status: Completed.

We agree that business practices within the Idaho Child Care Program should be standard across the state. For years, each of our seven regional offices had its own separate child care resource and referral contractor. As of July 1, 2003, we have standardized business practices by contracting with a single provider – the University of Idaho – to handle resource and referral services statewide.

We also agree that child care providers should be rewarded for improving quality. The same contractor also is responsible for developing a program that provides incentives to child care providers to improve the quality of care they provide. This new incentive program goes into operation July 1, 2004.

We do not believe it would be wise, however, to make the criteria for ICCP participation more stringent than criteria required for State licensing. It makes no sense for the State to license

providers based on one set of criteria and tell the same providers they must meet another, higher standard before the State will pay for services. In fact, we believe to do so would be counterproductive. Doing so will make it more difficult and more expensive for ICCP parents to find child care and may prevent some parents from maintaining employment.

However, it does make sense to encourage voluntary professional development and offer child care providers incentives to improve their skills and the quality of the care they provide. The Department has contracted with the University of Idaho to develop these incentives and monitor provider quality improvement. These incentives will help providers in two ways:

1. A scholarship program will help providers cover the cost of upgrading their skills, and
2. A graduated reimbursement system will be employed, tied directly to a provider's level of training and the implementation of quality child care practices.

Third recommendation: *"We recommend the Department of Health and Welfare evaluate the level of funding for quality improvement activities to ensure priorities are addressed while maximizing the amount of subsidies that can be paid to Idaho families."*

Status: Completed.

The Department has sufficient funding for the quality improvement program identified above and sufficient funding for the current child care caseload. As caseloads grow, however, we will face an increasing challenge to maintain an appropriate balance between quality improvement and subsidy expenditures. Monitoring this balance and making recommendations for addressing such challenges is the responsibility of the Department and the ICCP Advisory Panel.

Fourth recommendation: *"We recommend the Department of Health and Welfare include information about the U.S. Department of Agriculture Child and Adult Care Food Program in the information disseminated to child care providers."*

Status: Completed.

As mentioned earlier, the Department has contracted with the University of Idaho to provide child care resource and referral services on a statewide basis. The contract requires the University of Idaho to include information on the U.S. Department of Agriculture Child and Adult Care Food Program in the orientation materials it provides to child care providers. Through contract monitoring, the Department has verified that child care providers are receiving this important information.

Fifth recommendation: *"We recommend that the Department of Health and Welfare amend its administrative rules to specify eligibility rates based on the current federal poverty level."*

Status: In process.

The Department supports this recommendation. Implementation has been delayed due to budget holdbacks instituted in fiscal years 2002 and 2003 and still in place in the current fiscal year.

The Department anticipates promulgating temporary rules that specify eligibility rates are to be based on current federal poverty guidelines and presenting these rules to the Legislature in 2005. Initially, we believe current levels of funding will be adequate to handle the increased subsidy levels that will result from this change. However, additional General Fund support will be needed when the economy rebounds. The reasoning is simple; the child care subsidy program supports working parents. As the economy weakens, parents lose employment and no longer need the child care services. As the economy improves, parents gain employment and require child care services. When the economy does turn around, we will have to identify methods of managing the increased demand such as waiting lists, increased co-payments, limiting participation to parents who work a minimum number of hours, etc.

Sixth recommendation: *"We recommend the Department of Health and Welfare regularly report all expenditures and program information for the Idaho Child Care Program to the advisory panel."*

Status: Completed

A format for reporting budget and program activities has been developed and is being used regularly by the advisory panel.

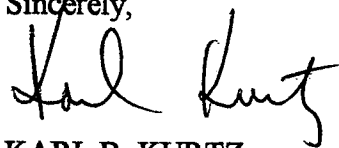
Seventh recommendation: *"We recommend the Department of Health and Welfare improve its current use of the Idaho Child Care Program website by adding resources and pertinent literature."*

Status: In progress

We continue to work with the University of Idaho to update, expand and improve web sites related to child care. Web sites such as an early childhood training registry, on-line child care referrals, child care provider resource guide and on-line training opportunities are in various stages of development. On-line child care referral web site will be completed by the end of April 2004.

Again, thank you for the opportunity to provide this update.

Sincerely,



KARL B. KURTZ
Director

KBK/bw
lkmoan2-27-04

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